

City of Cincinnati



*Interdepartmental
Correspondence Sheet*

December 19, 2005

To: Mayor Mark L. Mallory

From: David E. Rager, City Manager

Subject: **Recommended 2006 Capital Budget Update**

I am submitting my Recommended 2006 Capital Budget Update based on the City Council Approved 2006 Capital Budget with some modifications and new Capital Improvement Program projects as noted herein. The update provides recommended changes to the Approved 2006 Capital Budget, which is the second year of the Approved 2005/2006 Biennial Capital Budget. An All Funds Capital Budget Update of \$267.3 million is recommended, which represents a \$41.8 million, or 18.5% increase over the Approved 2006 All Funds Capital Budget of \$225.5 million. The table below compares my Recommended 2006 Capital Budget Update with the 2006 Approved Capital Budget.

(In \$ Millions)	2006 Approved	2006 Update	\$ Change 2006 Update/ 2006 Approved	% Change 2006 Update/ 2006 Approved
General Capital	\$63.9	\$66.0	\$2.1	3.3%
Restricted Fund Capital	143.4	179.0	35.6	24.8%
Special Revenue Capital	1.2	1.2	0.0	0.0%
Matching Capital	17.0	21.1	4.1	24.1%
Total All Funds Capital Budget:	\$225.5	\$267.3	\$41.8	18.5%

The Recommended 2006 General Capital Budget Update of \$66.0 million is a \$2.1 million, or 3.3% increase over the 2006 Approved General Capital Budget of \$63.9 million. The \$2.1 million increase is related to a new General Capital Budget resource, Income Tax-One Time Balance, and an increase in reprogramming resources. Changes in General Capital Budget resources are described in the "General Capital Resources" section of this report beginning on page 4. The Recommended 2006 General Capital Budget Update expenditures include eight new projects totaling \$4.1 million, increases to four existing projects totaling \$0.9 million, and recommended decreases for 13 projects totaling \$2.9 million. Recommended General Capital Budget expenditure adjustments are described in the "Increases and Decreases – 2006 General Capital Budget Update" section beginning on page 6.

The \$35.6 million, or 24.8% increase in the recommended \$179.0 million 2006 Restricted Funds Capital Budget Update compared to the 2006 Approved Restricted Funds Capital Budget of \$143.4 million is primarily related to a net \$35.9 million increase in the Metropolitan Sewer District (MSD) Capital Improvements Fund Budget. The Stormwater Management Fund Capital Budget includes a recommended increase of \$250,000 and the Cable Communications Fund

Capital Budget includes an increase of \$120,500. These recommended increases are offset by a \$655,800 recommended reduction for the Parking Facilities Fund Capital Budget. The recommended adjustments to the 2006 Approved Restricted Funds Capital Budget are described in the “Increases and Decreases – 2006 Restricted Funds Capital Budget” section beginning on page 9.

A recommended increase of \$4.1 million in the Matching Funds is related to an estimated increase of \$5.5 million from Federal and State funding sources for road improvement projects. The \$5.5 million estimated increase for matching road improvement funds is offset by an estimated reduction of \$1.4 million in matching funds from the Federal Aviation Administration (FAA) for capital improvement projects at Lunken Airport.

Recommended capital project adjustments for both the General Capital Budget and the Restricted Funds Capital Budget are outlined on the Update Summary Reports (Exhibit 3 on page 15 and Exhibit 6 on page 37). An analysis of the recommended General Capital Budget project expenditures by department begins on page 6. An analysis of the recommended Restricted Funds Capital Budget project expenditures by fund begins on page 9.

Capital Budget Highlights

1. **\$18.7 Million for Street Rehabilitation and Street Improvement Projects.** My recommended 2006 Capital Budget Update totals \$18.7 million for street rehabilitation and improvements, including \$12.7 million for the Street Rehabilitation Program, \$1.8 million for the Waldvogel Viaduct Replacement project, \$1.0 million for the Street Improvements project, and \$500,000 for the new Riverside Drive – Eggleston to Bains project. This recommendation matches the approved amount for street rehabilitation and street improvement projects in the 2006 Approved Capital Budget.
2. **\$11.6 Million to Renovate City Buildings and Facilities.** My recommended 2006 Capital Budget Update includes \$11.6 million to renovate City general government buildings and facilities, and Health, Recreation, and Park buildings and facilities. This recommendation matches the approved amount for renovation of City buildings and facilities in the 2006 Approved Capital Budget. The \$11.6 million recommendation for the renovation and/or replacement of City buildings and facilities includes \$320,000 earmarked in the Replacement Facilities project for design fees, site clearing, infrastructure, and utility installation for the Fire Burn Building. The Fire Burn Building recommendation is in addition to the \$900,000 included in the Approved 2005 General Capital Budget for the Fire Burn Building project.
3. **Female Facilities at Firehouses.** The City Council Policy Budget for 2005/2006 included the directive to equip each firehouse with female restroom facilities. To date, the City has added female facilities to 15 of the City’s 26 firehouses. The City Facility Renovation project includes the addition of female facilities at three firehouses in 2006. The remaining eight firehouses without female facilities would be included in the Replacement Facilities project as new firehouses are constructed.

4. **\$37.6 Million for Smale Infrastructure Projects.** In order to maintain the 0.1% portion of the 2.1% City Income Tax dedicated to Smale Infrastructure, my recommended 2006 Capital Budget Update includes \$37.6 million for Smale Infrastructure projects. This 2006 Capital Budget Update recommendation, along with infrastructure recommendation included in the 2006 Operating Budget Update, would provide adequate coverage to ensure that the City continues to meet the appropriation and expenditure requirements approved by the voters in 1988.

My recommended 2006 Smale Infrastructure Capital Budget Update of \$37.6 million includes \$18.7 million for street and road improvements, \$11.6 million for renovations to City buildings and facilities for Recreation, Parks, Health, and general government uses, and \$7.3 million for bridge, retaining wall, stairway, and traffic signal improvements.

5. **\$9.0 Million for Equipment and Technology Initiatives and Upgrades.** The recommended equipment and technology initiatives total \$9.0 million, which exceeds the 2006 Approved Capital Budget by \$1.1 million. The increase reflects the following changes: an additional \$760,000 for the Communications Network Upgrades project; an additional \$375,000 for the CHRIS Upgrade-8.9 project; and an additional \$125,700 for the Enterprise Messaging System Upgrade project. The increases are partially offset by a reduction of \$96,200 in various information technology projects in the RCC and by transferring the \$80,000 District Three Phone System project to the Cable Communications Fund.
6. **\$4.7 Million for Market Rate Housing.** This \$4.7 million recommendation for the development of market rate housing in Cincinnati represents a decrease of \$334,000 when compared to the 2006 Approved Capital Budget and includes the following projects: \$1.5 million for the Neighborhood Market Rate Housing project; \$1.0 million for the Downtown Housing Development project; and \$1.0 million for Citirama. The recommendation also includes a projected \$1.2 million from the Special Housing Permanent Improvement Fund (SHPIF). SHPIF is a special revenue fund included within the All Funds Capital Budget, but is not a General Capital Budget resource. The decrease of \$334,000 is recommended in the Neighborhood Market Rate Housing project due to balances in current project accounts available for use in 2006.
7. **\$4.8 Million Included for Kennedy Connector.** The Recommended 2006 Capital Budget Update includes \$4.8 million in 2006 for the Kennedy Connector project. This project involves the construction of a new street that would connect the intersection of Duck Creek Road and Kennedy Avenue with Ridge Road to improve traffic circulation and support development in the Interstate 71/Red Bank Expressway Corridor.

The total cost of this project is estimated to be \$19.8 million. A total of \$325,000 was appropriated for this project in 2002 and 2003. An additional \$800,000 was appropriated in 2005. My recommended Capital Budget Update includes \$4.8 million in 2006. The planned allocation for 2007 would be \$13.9 million. The 2007 amount will be funded from general obligation bonds, with some of the debt serviced by project-based tax increment financing payments.

8. **Neighborhood Incentive District Loan Fund.** A recommendation of \$2,000,000 is included to support the development of neighborhoods. This is budgeted as a cash capital resource, to be repaid, plus interest, by Tax Increment District (TIF) cash flows to create a revolving fund. The recommendation is contingent on State approval of the districts and an appropriate loan coverage ratio.

2006 CAPITAL BUDGET UPDATE REPORT ANALYSIS OF AVAILABLE RESOURCES

This section of the report provides descriptions of the resource estimates for the Capital Budget Update. The funds included are General Capital, Restricted Capital, Special Revenue Capital, and Matching Capital.

A. GENERAL CAPITAL RESOURCES

Estimated resources for the 2006 Capital Budget Update are \$2.1 million more than the estimated resources from the 2006 Approved Capital Budget. Exhibit 2 on page 14 of this document, "Recommended 2006 General Capital Investment Program," provides a comparison of resources and expenditures included in the 2006 Approved General Capital Budget with the resources and expenditures included in the 2006 Recommended General Capital Budget Update. The primary change in the General Capital Budget resources for the 2006 General Capital Budget Update compared to the 2006 Approved General Capital Budget includes the addition of one new Capital Program Resource, Income Tax-One Time Balance, in the amount of \$2.0 million. This new resource represents an increase in the capital financing portion (0.15%) of the City Income Tax of \$1.0 million in both 2005 and 2006. Additionally, Reprogramming resources have been increased by \$65,500.

B. RESTRICTED CAPITAL RESOURCES

The Enterprise Funds, within the Restricted Funds group, support their capital and operating budgets through user fees and charges. After operating and maintenance costs, current debt service, and reserve requirements are covered, the remaining available funding is used for capital purposes. The 2006 Enterprise Fund Capital Budget includes Restricted Fund resources from:

- Parking Facilities Fund (102)
- General Aviation Fund (104)
- Stormwater Management Fund (107)
- Telecommunications Services Fund (336)
- Cable Communications Fund (424)
- MSD Capital Improvements Fund (704)
- Water Works Capital Fund (756)
- Income Tax Transit Fund (759).

Restricted Fund Capital Budget resources recommended for the 2006 Capital Budget Update total \$179.0 million, which is a \$35.6 million more than the 2006 Approved Capital Budget of \$143.4 million. Exhibit 1 on page 13 provides recommended amounts for each Restricted Fund for the 2006 Capital Budget Update and compares the recommendation to the 2006 Approved Budget amount. The primary change to the Recommended 2006 Restricted Funds Capital Budget involves a \$35.9 million increase for Metropolitan Sewer District (MSD) projects. This \$35.9 million net increase is primarily related to the advancing the 2007 phase of the Mill Creek Waste Water Treatment Plant Incinerator Replacement project to 2006. (This \$63.2 million project is offset by \$27.3 million in reductions to other MSD projects.) Recommended changes, including the advancement of the Mill Creek Waste Water Treatment Plant Incinerator Replacement project, are discussed in the MSD Capital Improvements Fund section beginning on page 11. The \$35.9 million net increase to the recommended MSD Capital Budget Update is offset by a net \$285,300 reduction in other Restricted Fund Capital Budgets. All recommended adjustments to the 2006 Restricted Funds Capital Budget are discussed in detail beginning on page 9 of this report.

C. SPECIAL REVENUE CAPITAL RESOURCES

The Special Revenue Capital category is comprised of the Special Housing Permanent Improvement Fund (SHPIF). For the 2006 Capital Budget Update, SHPIF resources are estimated to be \$1,225,000, which matches the 2006 Approved Capital Budget. The resources from this fund are generated from fifty percent of the rental income from City property and a portion of downtown tax increment payments and are used to support the development of market rate housing.

D. MATCHING CAPITAL RESOURCES

The City receives matching funding and grants and also manages State and County funding to improve the City's streets, roads, and bridges. Federal Aviation Administration (FAA) funding is also used to support improvements at the Lunken and Blue Ash Airports. Estimated matching funding for the 2006 Capital Budget Update total \$21.1 million, which is a \$4.1 million increase compared to the \$17.0 million included in the 2006 Approved Capital Budget for matching funding.

The estimated increase of \$4.1 million for matching capital resources from the 2006 Approved Capital Budget to the 2006 Capital Budget Update is comprised of a \$6.4 million estimated increase for Federal Highway Administration, and Ohio Department of Transportation (ODOT) road improvement and urban paving projects, which is partially offset by an estimated \$0.9 million decrease for State Issue 2 road improvements projects and a \$1.4 million decrease in anticipated matching funding from the FAA.

ANALYSIS OF UPDATED CAPITAL EXPENDITURES

This section of the report provides an overview of recommended 2006 General Capital Budget Update expenditures and references the various exhibits related to the Recommended 2006 General Capital Budget Update expenditures.

A. UPDATED GENERAL CAPITAL EXPENDITURES

The Recommended 2006 General Capital Budget is presented in Exhibit 3 on page 15 of this report. Exhibit 3 compares the 2006 General Capital Budget projects approved by the City Council to the projects that are now being recommended for the 2006 General Capital Budget Update. Exhibit 4 on page 19 of this report provides all recommended General Capital Budget projects by the seven major expenditure categories. These seven major expenditure categories are debt service payments, economic development, environment, equipment, housing and neighborhood development, infrastructure (Smale), and new infrastructure.

In order to balance the Recommended 2006 General Capital Budget Update, project reductions of \$2.9 million and project increases, including new projects, of \$5.0 million are recommended. A description of the recommended project reductions and the recommended project increases and new projects is included in the next section of this report entitled “Increases and Decreases – 2006 General Capital Budget Update.”

B. INCREASES AND DECREASES – 2006 GENERAL CAPITAL BUDGET UPDATE

This section of the report provides explanations for recommended changes to the 2006 City Council Approved General Capital Budget. These recommended changes are outlined on a project-by-project basis in Exhibit 3 beginning on page 15.

Regional Computer Center

The 2006 General Capital Budget Update recommendation for the Regional Computer Center totals \$1,785,700, which is an increase of \$789,500 compared to the 2006 Approved General Capital Budget of 996,200. The recommended increase of \$789,500 is related to the addition of two new projects totaling \$885,700. The \$885,700 increase for the two new projects is offset by reductions to five projects totaling \$96,200.

The new \$760,000 Communications Network Upgrades project would support incremental upgrades to the City’s communications network, which provides voice and data services to all City agencies. The upgrades would involve the replacement of core data switches that manage all of the data traffic on the City’s Metropolitan Area Network (MAN). The new \$125,700 Enterprise Messaging System Upgrade project would provide funding to support the migration of the City’s current E-mail Exchange 5.5 version to Microsoft’s messaging server Exchange 2003.

The five project reductions include a decrease of \$20,000 for the CFS Client Server project. This project was reduced from the 2006 Approved Capital Budget allocation of \$200,000 to the 2006

Capital Budget Update recommendation of \$180,000. The Desktop Asset Management project 2006 Capital Budget Update recommendation is \$70,200, which is a \$20,000 decrease compared to the 2006 Approved Capital Budget amount of \$90,200. A \$22,500 decrease is recommended for the Electronic Government project, from the 2006 Approved Capital Budget total of \$225,000 to the 2006 Capital Budget Update recommendation of \$202,500.

A recommendation of \$180,000 is included in the 2006 Capital Budget Update for the Metropolitan Area Network (MAN) Enhancements project, which represents a \$20,000 decrease compared to the 2006 Approved Capital Budget allocation of \$200,000. A total of \$151,600 is recommended for the Telephone System Upgrade and Replacement project. This recommendation is a \$13,700 decrease compared to the 2006 Approved Capital Budget amount of \$165,300. Recommended reductions to the five projects described above were necessary to balance the 2006 General Capital Budget Update Budget.

City Manager – Economic Development Division

The 2006 General Capital Budget Update recommendation for the City Manager's Office Economic Development Division totals \$4,250,000, which is an increase of \$1,250,000 compared to the 2006 Approved General Capital Budget of \$3.0 million. The recommended increase of \$1,250,000 is related to the new \$2,000,000 Neighborhood Incentive District Loan Fund project, and a \$250,000 increase for the Retail/Commercial Opportunities project. The new Neighborhood Incentive District Loans project recommendation and the recommended increase for the Retail/Commercial Opportunities project are offset by the elimination of the \$1.0 million Fountain Square/Fountain Square Garage project.

The new \$2,000,000 Neighborhood Incentive District Loan Fund project would provide a revolving fund to support the development of neighborhoods, and tax increment district cash flows would be used to repay the project, including interest. The recommendation is contingent on State approval of the districts and an appropriate loan coverage ratio. An increase of \$250,000, from the 2006 Approved Capital Budget allocation of \$1.0 million to the 2006 General Capital Budget Update total of \$1,250,000, is recommended for the Retail/Commercial Opportunities project. The recommended \$250,000 increase would provide funding to support property tax and special assessment payments on downtown parcels related to development projects. The elimination of the \$1.0 million Fountain Square/Fountain Square Garage is related to the advancement of funding for the Fountain Square/Fountain Square Garage project approved by the City Council.

Human Resources

The Department of Human Resources recommended 2006 General Capital Budget Update totals \$375,000 for the new CHRIS (Cincinnati Human Resources Information System) Upgrade – 8.9 project. The Department did not have a 2006 Approved Capital Budget allocation.

The 2006 Capital Budget Update recommendation of \$375,000 for the new CHRIS Upgrade – 8.9 project would provide funding to convert the current CHRIS system 8.3 version to version 8.9. The conversion is necessary in order to provide the City with the latest payroll, earnings tax, deduction, and W-2 processing and distribution capabilities. Version 8.3 upgrade and tax update support expires in late 2006.

Community Development and Planning

The 2006 General Capital Budget Update recommendation for the Department of Community Development and Planning totals \$5,040,000, which is a decrease of \$334,000 compared to the 2006 Approved General Capital Budget of \$5,374,000. The recommended decrease of \$334,000 is related to the Neighborhood Market Rate Housing project. The \$334,000 reduction for this project, from the 2006 Approved General Capital Budget total of \$1,834,000 to the 2006 General Capital Budget Update recommendation of \$1.5 million, is based on the availability of existing Neighborhood Market Rate Housing project balances to support program requirements for 2006.

Buildings and Inspections

The 2006 General Capital Budget Update recommendation for the Department of Buildings and Inspections totals \$250,000, which is a \$100,000 increase compared to the 2006 Approved General Capital Budget of \$150,000. The recommended increase of \$100,000 is related to the Hazard Abatement/Demolition Program. The additional funding of \$100,000 would be used to assist with the demolition of the building located at 1721 Vine Street.

Police

The Police Department's 2006 Approved General Capital Budget included \$35,000 for the Criminal Investigation Parking Lot project and \$80,000 for the District Three Phone System project. These two projects are not recommended in the 2006 General Capital Budget Update. The Criminal Investigation Parking Lot project is not recommended based on higher priority projects in the General Capital Budget. The District Three Phone System project is recommended for funding from the Cable Communications Fund (424). Capital Budget recommendations for the Cable Communications Fund are described on page 10 of this report.

Transportation and Engineering

The Department of Transportation and Engineering's recommended 2006 General Capital Budget Update totals \$35,249,000, which matches the 2006 Approved General Capital Budget. The recommended 2006 General Capital Budget Update includes four new projects and adjustments to six projects.

The recommended new projects include \$100,000 for the Downtown Infrastructure Coordination project, \$100,000 for the Downtown Public Paver Replacement project, \$180,000 for the Downtown Street Lights project, and \$500,000 for the Riverside Drive – Eggleston to Bains project. The Downtown Infrastructure Coordination project would provide funding for staff costs to support the Fountain Square developments and development in the Riverfront/Banks area. The \$100,000 recommendation for the Downtown Public Paver Replacement project would allow Transportation and Engineering to respond to paver replacement needs in the "Backstage" area (Ruth Lyons and Gano Alleys).

Recommended funding of \$180,000 for the Downtown Street Lights project would be used to begin a two-year upgrading of the existing 240 boulevard style street lights within the central business district. Upgrades would include painting and the replacement of light fixtures. The \$500,000 recommended for the Riverside Drive – Eggleston to Bains project would cover engineering and pre-development costs for a major road improvement project involving the

widening of existing lanes, new sidewalks, and intersection improvements at Riverside Drive (Eastern Avenue) and Adams Crossing.

Funding increases are recommended for two existing projects, the Uptown Wayfinding System project and the Spot Infrastructure Replacement project. The 2006 General Capital Budget Update recommendation of \$250,000 for the Uptown Wayfinding System project is a \$100,000 increase compared to the 2006 Approved Budget amount of \$150,000. The recommended increase of \$100,000 would provide funding new wayfinding signage to support major new developments in the “Uptown” area, including the potential for a new signage system for the entire area.

The recommendation for the Spot Infrastructure Replacement project of \$740,000 is a \$400,000 increase compared to the 2006 Approved Capital Budget total of \$340,000. The recommended increase for this project would cover the cost of various pavement enhancement applications to extend the useful life street rehabilitation projects. Decreases are recommended in the 2006 General Capital Budget Update for the Fountain Square, Skywalk Improvements, Curb Ramps – Street Rehab, and Central Parkway Lighting Replacement projects. The \$100,000 Fountain Square project is being eliminated due to the advancement of funding for the Fountain Square/Fountain Square Garage project authorized by the City Council on June 15, 2005 (Ordinance 216-2005). The Skywalk Improvements project recommendation of \$300,000 for the 2006 General Capital Budget Update is a \$50,000 decrease compared to the 2006 Approved Capital Budget amount of \$350,000. This recommended reduction is based on the availability of current project balances to assist with the funding of planned improvements in 2006.

The recommended decrease of \$530,000, from the 2006 Approved General Capital Budget amount of \$1,266,900 to the 2006 General Capital Budget Update recommendation of \$736,900, for the Curb Ramps – Street Rehab project is based on actual costs for the installation of handicapped curb ramps for street rehabilitation projects being lower than the estimated installation costs that were developed during 2004 for the 2005/2006 Biennial Capital Budget.

A total of \$700,000 was included in the 2006 Approved General Capital Budget for the Central Parkway Lighting Replacement project. For the recommended 2006 General Capital Budget Update, this project has been deferred in order to balance the 2006 General Capital Update Budget. The \$700,000 included in the 2006 Approved General Capital Budget was designed to provide funding for the fourth and final phase (Hopple Street to Ludlow Avenue) of the Central Parkway Lighting Replacement project. The final phase would now be implemented in 2007.

C. INCREASES AND DECREASES – 2006 RESTRICTED FUNDS CAPITAL BUDGET

This section provides explanations for recommended changes to the 2006 City Council Approved Restricted Funds Capital Budget. These recommended changes are outlined on a project-by-project basis in Exhibit 6 beginning on page 37 of this report.

For the 2006 Capital Budget Update, the Department of Recreation has requested \$2.5 million from the Municipal Golf Fund (105) for various capital improvements at City-owned golf

courses. This request is recommended to be reviewed at the close of the current fiscal year, after the financial condition of the Municipal Golf Fund can be analyzed to determine the appropriate amount that can be transferred for capital improvements and still maintain an adequate working capital reserve fund balance. Should the fund balance be sufficient to support golf course improvements, a recommendation will be provided for the City Council's review in early 2006.

Parking Facilities Fund

The recommended 2006 Parking Facilities Fund (102) Capital Budget Update totals \$179,200, which is a \$655,800 decrease compared to the 2006 Approved Capital Budget of \$835,000. The recommended 2006 Capital Budget Update includes the new \$29,200 Gateway Garage Capital Improvements project, the elimination of the \$535,000 Structural Maintenance and Repair project, and a \$150,000 reduction for the Equipment Replacement project.

The new \$29,200 Gateway Garage Capital Improvement project provides funding for improvements as required in the City's agreement (Ordinance 300-2003) with the Kroger Company. The elimination of the \$535,000 Structural Maintenance and Repair project and the \$150,000 reduction, from the 2006 Approved Capital Budget of \$200,000 to the recommended 2006 Capital Budget Update amount of \$50,000, for the Equipment Replacement project are based on the City's agreement with the Cincinnati Center City Development Corporation (3CDC) related to the transfer and operation of the Fountain Square and Fountain Square North Parking Garages.

Stormwater Management Fund

The recommended 2006 Stormwater Management Fund (107) Capital Budget Update totals \$1,450,000, which is a \$250,000 increase compared to the 2006 Approved Capital Budget of \$1.2 million. A new project for the 2006 Capital Budget Update, Barrier Dam Repair Project, is recommended for \$150,000. This project would provide funding for the replacement of windows, a garage door, internal air exchange blowers, a ventilation system bar rack, and provide funding for the construction of a new equipment storage facility.

A \$100,000 increase is recommended for the Barrier Dam Motor Rewind project, from the 2006 Approved Capital Budget amount of \$1.2 million to \$1.3 million for the 2006 Capital Budget Update. The additional \$100,000 in funding would be used to make additional repairs to the Barrier Dam motors in conjunction with additional funding approved by the City Council on June 29, 2005 (Ordinance 279-2005).

Cable Communications Fund

The recommended 2006 Capital Budget Update includes two new Cable Communications Fund (424) projects totaling \$120,500. The 2006 Approved Capital Budget did not include any Cable Communications Fund projects. A total of \$80,000 is recommended for the District Three Phone System project. This project would provide funding for the development and installation of a new phone system with voice mail at Police District Three. The current phone system is not compatible with the City's current phone system and has no voice mail capabilities. The second project recommended in the Cable Communications Fund is the new Mobile Data Computers project. An amount of \$40,500 from the Cable Communications Fund would be combined with \$80,000 from the State Asset Forfeiture Fund (369) to provide funding for the purchase of 49

additional mobile data computers for police vehicles as part of the transition plan to the new technology and the COPS MART project.

MSD Capital Improvements Fund

The recommended 2006 MSD Capital Improvements Fund Capital Budget Update is \$131,363,600, which represents a \$35,876,200 increase over the 2006 Approved Capital Budget of \$95,487,400. The recommended 2006 Capital Budget Update includes 26 new projects totaling \$18.1 million and adjustments to 62 projects. The adjusted projects include decreases to 44 projects totaling \$49.4 million, and increases to 18 existing projects totaling \$67.2 million.

Major new projects include the \$7.9 million Polk Run Waste Water Treatment Plant – Phase 4 project, the \$1.5 million Mill Creek Waste Water Treatment Plant Preliminary and Primary Treatment project, and the \$1.2 million Mill Creek Secondary Treatment Upgrade project. The \$5.4 million Dry Run Area Sewers – Phase 1 project and the \$14.0 million Eastern/Delta Sewer Separation – Phase 2 projects have been eliminated for 2006 and moved to 2007.

An increase of \$63.2 million, from the 2006 Approved Capital Budget amount of \$1.7 million to the 2006 Capital Budget Update amount of \$64.9 million, is recommended for the Mill Creek Waste Water Treatment Plant Incinerator Replacement project. This project would provide funding for the replacement of six existing multiple hearth incinerators with three fluid bed incinerators at the Mill Creek Waste Water Treatment Plant in Lower Price Hill. The new incinerators are more efficient and provide a more cost effective method for incinerating sludge. The 2007 phase of this project was advanced to 2006 in order to capture potential project cost savings related to mechanical efficiencies and economies of scale.

The recommended 2006 MSD capital projects are based on MSD's November 1, 2005 Official Bond Sale Statement and the requirements of the Global Consent Decree and would be financed with a combination of debt and cash. The availability of resources to retire debt and provide cash for projects is based on the current average residential rate (\$97.70 per quarter) and a proposed January 2006 4% rate increase. The budgeted rate increases for 2005 and 2006 were 8.6% and 7.9%, respectively. Due to a delay in the passage of MSD's 2005 Operating Budget by the Hamilton County Commissioners, a higher rate of 12% was approved for 2005 instead of the planned 8.6% rate increase in order to generate the same level of revenue. As a result of a higher rate being approved for 2005, a lower rate of 4% for 2006 would suffice in terms of generating the required level of revenue that the planned 7.9% rate increase would have generated. MSD's current rate study includes a planned 8.6% rate increase for 2007 and an 8.0% rate increase for 2008.

Water Works Capital Fund

The recommended 2006 Water Works Capital Fund (756) Budget Update is \$45,259,000, which matches the 2006 Approved Capital Budget. The recommended 2006 Capital Budget Update includes 33 new projects totaling \$6,409,000 and adjustments to 18 existing projects. The adjusted projects include decreases to 16 projects totaling \$6,423,000, including the elimination of 12 projects, and increases to two existing projects totaling \$14,000. The adjustments included in the recommended 2006 Capital Budget Update are consistent with Water Work's Official Statement for the Series 2005B bond sale dated May 12, 2005.

Major new projects include \$1,415,000 for the Filter Rebuild project at the Richard Miller Treatment Plant. A recommendation of \$625,000 is included for the Standby Power for Eden Park Pump Station project. This project would provide funding for purchase and installation of a standby generator and ancillary equipment to power pumps and other critical equipment at the Eden Park Pump Station. A similar project for \$400,000 is recommended for the Kennedy Avenue Pump Station. In order to replace broken valves in the distribution system, a new project entitled Value Replacement Program is recommended for \$400,000.

cc: William E. Moller, Finance Director